TRADE ORGANIZATION AND TRADE CONTROL IN CHINA

China has no laws dealing with trade organization or control. Agreements or combinations having that end in view may therefore be entered into at will by either native or foreign corporations and individuals. No vague or pliable Sherman act has as yet found its way to the pages of a Chinese statute book. The government has made no attempt at changing or regulating business methods. In that respect its policy has been one of laissez faire in the strictest sense. Even if regulation of the activities of foreign traders were to be attempted at the present it might result in the violation of treaty obligations. There is, however, a kind of control over the relations of native merchants to each other as well as to the public exerted by the trade guilds, but this does not extend to foreign traders. China, indeed, may be said to be almost unique in the non-interference of the government with the larger problems of business organization and control. In no other country are the free play of competition and the law of supply and demand still so completely relied upon for the regulation of prices. But, at the same time, traders are at liberty to apply freely methods of business restraint. Such methods as, in the United States at least, have been held detrimental to public welfare, have called forth restraining legislation, and have led to much restrictive supervision of trade. The trend of restrictive trade organization, however, has been principally toward the erecting of barriers against fluctuations in exchange and an ever downward tending level of prices. But control of competition has also been an important factor.

It is not the purpose of this paper to discuss historically the trade guilds of China in their relation to its economic structure, but rather to deal with the newer trade relations that have arisen from the introduction and sale, on an extensive scale, of foreign goods and with the relation of foreign traders to the distribution of these goods in the native market. The foreign trader who controls an important line of merchandise usually seeks to establish some control over the channels of distribution. He does this in order to hold himself secure against possible losses due to the fluctuating exchange, or to direct the extension of his sales, to frustrate the sale of imitations, to keep competitors from using his channels of distribution and from reaping the benefit of his

own pioneer work, or for any other reason that may suit his purpose. Since no foreign trader, other than the Japanese, reaches the consumer direct in China, the native wholesale and retail trade must serve as a medium. It follows, therefore, that to accomplish any of the above purposes the foreign trader must to a considerable degree exert influence over these channels of distribution. Accordingly he enters into agreements of various kinds by means of which he is able to control more or less effectively his prices, market extension, or exchange problems.

Although the central government does not directly interfere in the management and conduct of foreign private business, this policy does not apply to those native articles of commerce which the government has selected as special revenue producers and closely controls for purposes of taxation. The principal one of these commodities is salt. The right of manufacture, of transport, or sale is under strictest governmental control; the "salt gabelle" is levied at every stage from production to consumption. Only licensed merchants may deal in salt or handle it and then only within limited prescribed areas. The salt merchants of the country are monopolists for the benefit of the government, which derives a very large revenue from this source.

The central government, in 1914, entered into an agreement with the Standard Oil Company of New York whereby that concern obtained the exclusive right to exploit oil fields of Yenchang-fu (Shensi) and Changte-fu (Chili). The right to exploit other regions, as yet unexplored, was also granted. For purposes of control, a Sino-American company was to be formed, in which the Chinese government was to hold a minority interest but a voice in the management. Although a great deal of drilling and exploring has been done by the company nothing tangible has as yet resulted from the arrangement. The government has also considered the establishment of a tobacco monopoly. In place of owning and controlling it outright, however, it would be necessary on account of lack of funds to turn its operation over to a private concern. Here also nothing tangible has as yet materialized and between Japanese interference and existing treaty obligations it will probably be a long time before a tobacco monopoly is established. The government controls and operates some gold mines in the extreme north of Manchuria, some pearl fisheries in eastern Manchuria, and some porcelain factories in Anhwei province. None of these yields extensive revenues and salt remains to the present

day the one domestic commercial article from which it derives a considerable amount of revenue. Native and imported opium has long been the object of special taxation.

There are numerous minor monopolies in China. They are sold or farmed out by local authorities, however, and may be retained in the same family for generations. Such are the right to exclusive production or sale of specified articles and the right to establish ferries at crossings of streams. The following instance of the creation of a private monopoly came to the writer's attention recently. A native woman, Mary Wang, had for a long time made and furnished the baskets used by a factory located in Pootung, a native settlement across the Whang Poo River from Shanghai. The superintendent of the factory, coming to the conclusion that the price of the baskets was higher than it ought to be, asked a Shanghai maker of baskets to submit bids on a lot. This he did at a very considerable reduction from the price asked by Mrs. Wang. He was given the contract and Mrs. Wang found herself deprived of what had been a fairly profitable business. Not for long, however. She appeared at the factory flourishing a large important looking document ornamented with an immense red seal or *chop*. She explained that the local *yamen* had conferred upon her the exclusive privilege of the manufacture and sale of the particular type of basket required by the factory and that no other basket-maker would be permitted to furnish it. This private monopoly had been conferred in exchange for about thirty *taels* ($20). The woman's statement was confirmed a few days later when the man who had accepted the contract explained that he would not be able to make and deliver the baskets the contract called for within the Pootung district.

In a general way, the local and provincial governments are also in a position to interfere with commerce and trade through their taxing power. The barrier taxes, such as *likin*, *loti*, gate, or river, and the canal tolls, as well as the various local consumption taxes, that abound in every province, are highly elastic. Few local tax stations seem to maintain an absolutely fixed schedule of rates. The native merchant who is most thoroughly familiar with the secrets of the tax-gatherer's office and who can apply a bribe in such a way as to increase the elasticity of the schedule, thereby driving the better bargain, may obtain substantial advantages over his rivals. In that part of Manchuria controlled by Japan, both the Chinese and the foreign merchants carry on

trade under disadvantages to the Japanese because the latter often flatly refuse to pay any *likin* or other local tax whatever. They rely upon their own country's interpretation of her treaties with China; and their consuls, backed by the troops which the Japanese government keeps so prodigally scattered over that part of the Chinese Empire, are ever ready to support them in their defiance of the tax officials. In the past, merchants of other foreign nations have at times escaped payment of *likin* taxes when shipping goods inland by browbeating and overawing native tax officials. It has not been a very general practice, however, all foreigners as a rule complying with the native regulations and paying such taxes as are demanded, though usually in the form of transit dues, which, when paid at the port of entry on goods shipped inland, exempt such goods from the local *likin*. Native tax officials now stand in less awe of the foreigner and his governments; and, under the administration of Yuan-shi-kai, reforms in the tax system and tax administration have tended to eliminate some of the inequalities and the "squeeze" that formerly abounded.

Nearly all foreign goods destined for native consumption enter China through one of the great treaty ports, Shanghai, Tientsin, or Hankow, or they enter Canton by way of the British port of Hong-Kong. They are usually laid down for the account of agents, although some foreign manufacturers handle their goods direct, through their own organization. It is customary for an agency to obtain exclusive control for the territories covered not only by China proper, but for Hong-Kong, Manchuria, the Liaotung Peninsula, and Vladivostok as well. It is also usual for the agent to bind himself not to enter into agreements with third parties for the handling of similar goods within the prescribed area. An agent sometimes handles single lines of articles, but more often he obtains agencies for several lines of non-competing goods, such as typewriters, scales, toilet waters, fire extinguishers, etc. When the manufacturer imports directly, a single line only is handled, such as soaps, candles, cigarettes, etc. If the goods imported are consumed by the native population, the foreign agent does not deal directly with the retail trade but usually through the medium of *compradores* and the native wholesale trade. The largest importing firms, especially manufacturers that import without the intermediary of an agent, may in part dispense with the services of the *compradore*, or native go-between, and deal with the wholesale trade direct.

This native wholesale trade is an all-important factor in obtaining a market for foreign goods, and of necessity stands in very close relation to the foreign agent. The usual method in the past was for the latter to sell his goods to the native dealer on order for future delivery. The price agreed upon was fixed by the gold standard of the exporting country and took into consideration the fluctuating rate of exchange. At the time of purchase the silver equivalent of the gold price might be one figure, and it might be an altogether different figure at time of delivery and payment. The fluctuating rate of exchange caused speculation to go hand in hand with legitimate trade. Oftentimes the purchase of goods became a mere gamble. This was especially true of the so-called indent business. Under its terms the foreign agent agreed to deliver, when called for, any part of an order previously placed, the native trader agreeing to remove the entire purchase, however, within a stipulated period. The foreign agent ordered the goods and held them subject to withdrawal by the native merchant at his leisure. The native dealer paid storage and interest and insurance on the goods during the time that they were in the agent's possession. Goods were withdrawn only against the payment of cash. The native dealer now really gambled on exchange. If he thought that the rate of exchange would go lower in the near future, he held off drawing from the consignment until such time as he thought it had fallen sufficiently. If he looked for a higher rate of exchange he might draw his entire consignment at once. If there were rapid fluctuations in the rate of exchange, legitimate trade became a secondary consideration and speculation occupied the entire attention of the trader. During the period following the Revolution of 1911, such speculation had a very disastrous effect upon trade. Exchange fell very rapidly during this period and traders held off, hoping for a more favorable rate. However, the rate continued to fall until many at the end of their indent period were unable to meet their obligations and hundreds of large consignments were left on the agent's hands. Such goods had to be disposed of ultimately at a large loss. Since the indent tended toward subordinating legitimate trade to speculation, it is now looked upon with little favor by the foreign trader who is anxious to develop and increase his trade.

The first important step taken by aggressive foreign traders was the fixing of the price of goods in terms of the native currency and without the stipulation that payment be made in terms

of the gold standard. This removed the speculative feature from trading. Under the indent, moreover, the agent had no control over distribution, always an important factor where a large extension of trade is desired. It was, then, a second step forward when the more progressive foreign traders assumed control over the avenues of distribution. The most successful method followed has been to give groups of native merchants the exclusive right to obtain and to sell at wholesale the goods which the foreign agency controls. The members of the group agree not to handle competing goods within, nor the agent's goods outside, a specified sales territory. The latter part of the agreement, if carried out, of course prevents one group from competing with another group. Credit being as yet a practically unknown factor in China, so far as the dealings of native and foreigner go, the financially able members of the group usually are permitted to carry a certain amount of goods in stock so as to supply the needs of other members of the group (though in treaty ports merchants may draw directly from the stock carried by foreign firms). Before stock is deposited with native merchants, they must pay in a sufficient amount of cash. Sometimes they make an advance deposit of a specified sum, which deposit they must keep at a fixed figure and which permits them to have at all times a certain amount of goods in stock. The other members of the group draw from this stock as needed, but only against the payment of cash. In this way delay is avoided in getting the goods to interior points. Native merchants located in treaty ports, and therefore partly under foreign jurisdiction, may furnish in lieu of cash deposit a well-secured local bond as a part guaranty for stock advanced. Goods delivered are usually paid for at list price and all rebates, discounts, and commissions allowed are paid back later, thus furnishing foreign firms with an effective lever by means of which they can hold native dealers to the terms of their agreements.

The contract between the foreign manufacturer and his agent, as already stated, provides restrictions with regard to handling competitive goods. Other terms of the contract deal with the amount of stock to be carried to meet trade requirements, the providing of facilities of transport, the safe keeping of stock, the payment of freight, cartage, lighterage, duty, transit dues, *likin*, *octroi*, insurance, pilferage in transit, cost of storage and exchange. Some arrangement is usually made as to participation by manufacturer and agent in the cost of bill posting and other

advertising schemes. The agent as a rule does business in the name of the manufacturer, who fixes the selling price, terms and conditions of sale, and, generally, retains control of the trade in the goods. The arrangements between agent and native sales group are of a similar nature. The sales from "godown" stock are in the name of the foreign agent, for whose account all sales are made. It is necessary, in a country like China that has a constantly fluctuating rate of exchange not only between gold and silver but also in the ratio of the various kinds of currencies in circulation within the country, to keep posted on local exchange rates. This is an important factor in remittances from the interior. The members of the native selling group perform this function, keeping the foreign firm informed. The agent passes the information on to his principal.

The restrictive form of contract between manufacturer and agent arises out of the condition that the former retains full control of his goods so long as they are not settled for in full. Deliveries to the agent are always made before settlement. The control which the agent or manufacturer retains after the goods have passed to the hands of the native wholesale dealer rests on a different and more arbitrary basis, because the goods are paid for before they are delivered. Here the basis for control is justified entirely on grounds of experience. Experience has shown the agent or manufacturer that when control is retained over the goods, and through the goods of the wholesale traders, much more satisfactory results as to selling, price control, and profits are obtainable than when control ceases after delivery of the goods to the distributing member of the group. The reason for this is evident. The native merchant must be assured a fair income if he is to take special interest in promoting sales. When the merchant handles other competitive goods, or when too many deal in the same goods and there is too much competition, selling profits are reduced to a very small margin and the stimulus to concentrated activity is lost. Through the lack of this stimulating influence the entire native demand for the goods may be destroyed. Experience has shown that native merchants, under unrestricted competition and left to their own resources in handling any foreign goods, are as a rule unsuccessful.

None realize this more readily than do the native merchants themselves, and they readily seek agreements with foreign agents for exclusive and restricted handling of contract goods. The

merchant nearly always, in fact, prefers to be a member of a group of wholesale merchants handling exclusively some commodity rather than to remain independent and handle such goods as may be sold without restrictions. The individual members of a wholesale selling group, although primarily having separate and distinct dealings with the foreign firm whose merchandise they handle, are, nevertheless, almost invariably drawn into a close form of association among themselves which assumes control of all the activities of the group. In its relation to a foreign firm a group not infrequently participates on a share basis, distributing the total profits of the group according to the number of shares held by each member. The number of shares issued to each is likely to depend more upon standing in the community, upon family ties, or upon local influence than upon the relative amount of sales. The oldest member, being most respected, may hold the largest number of shares although actually he may have the smallest number of sales. The foreign firm usually does not interfere with the internal organization so long as the membership is not too large to be manageable or too small to be effective, and so long as the association serves the firm's purposes satisfactorily.

It has already been stated that a rather close control over the members of such a selling group is deemed a necessity in order to obtain best results. The control of the association as a whole serves even more useful purposes. While the individual members may agree that they will abstain from price cutting, there is, nevertheless, always great temptation for some individual to break away and to sell secretly to the retail trade at less than schedule price. With pooled profits, the greatest incentive to price cutting, namely, increased individual profits to the particular merchant indulging in it for the purpose of increasing his sales, is removed. The members of an organization have an incentive to watch each other jealously because price cutting by any individual may reduce the profits of all and threaten disruption of the organization. A more difficult matter to control than price cutting within is the violation of the agreement by going outside the territory of an organization and there cutting prices. The invading of another territory and making sales therein on a lower margin of profit may add considerably to the profits of all the members of the group, although the other group may suffer correspondingly. The separate groups in the different territories are independent of each other and in spite of agreements may invade each other's

domains. Such cases must be taken up by the foreign manufacturer or agent; and rather arbitrary measures are sometimes resorted to for stopping the practice.

The most effective preventive means adopted against competition of this nature is to fix the "laid down cost" of the goods, including transportation, *likin*, insurance, etc., at the different points in such manner that no one territory has a differential advantage over the other, and to adjust the margin of profit for each territory at such a point that the added cost of transportation, *likin*, and exchange from one territory to another reduces to a minimum the temptation to infringe on one another. This can usually be accomplished to a fair degree of satisfaction; but, where the two territories adjoin, the differentials are practically equal and encroachment is frequent. In some lines of merchandising, trade guilds may exert their influence and prevent the encroachment of one group of merchants upon the legitimate sphere of another. Also, China is a country full of local antipathies, and this in some instances acts as a check to the practice. In general, however, the only effective check is the restraining influence of the foreign manufacturer or agent through his control of discounts, rebates, and stock.

Group organization is a very distinct trait among Chinese traders. The country is permeated with all kinds of associations. To a marked extent a given selling organization will be made up of members from the same part of the country. In Shanghai, the members may all be local or from Canton, etc.; at Ningpo, from Shanghai; and at Nanking, from Ningpo. The native employees of a business in the treaty ports may all come from the same village, and through the influence which a local *compradore* can exert the source of supply will not change for many years. The passion for combining or pooling interests leads to rather unexpected results sometimes. A Shanghai merchant, recently, wishing to stimulate individual salesmanship among his native employees, promised a bonus based on quantity of sales, the clerk making the largest number of sales to be awarded each week a very substantial portion of the total bonus. His surprise can be imagined, when, shortly after the bonus scheme had gone into effect, the sales clerks came to him in a body to inform him that they had decided to pool the entire bonus and to distribute it equally among themselves.

Although China is, in many respects, one of the freest competi-

tive markets in all the world, its five per cent ad valorem tariff being low enough to offer no effective barrier to the entry of all classes of goods from foreign countries, it is, from the point of view of actually reaching the consumer, the most inaccessible to a foreigner. No foreign manufacturer or agent can expect to find a large outlet for his goods without the coöperation and assistance of the native wholesale and retail trade. If the way is barred in any line by the exclusive sales contract, price regulations, or limitations of sales already established by powerful firms, it is indeed doubly difficult to find an outlet.

The control which a native selling organization can exert over the avenues of distribution is, of course, most complete in those lines in which a single foreign manufacturer or agent has a very large proportion of the total business. In a number of instances, pioneer traders in the Chinese market have so firmly established themselves in certain lines with their trademarks and popular brands that they have been able to hold their own against all later competitors. Trademarks and brands thus controlled have been the basis for more or less effective monopolies in soaps, oils, patent medicines, candles, cigarettes, sewing machines, opium, and certain brands of piece goods. In other instances the mere popularity of the trademark or brand name has not been sufficient to prevent effective competition, but needed to be combined with a liberal use of the pressure which a well-controlled native selling organization can exert. The strict enforcement of the usual binding clause that no competitive goods be handled by the members of an organization, and the influence that it can bring to bear on the retail merchants and hawkers, and which can prevent them from attempting to sell rival goods, is a pressure of no mean effectiveness, and against which few newer or weaker firms are able to succeed. The substantial benefits which a native selling organization can obtain from a concern that already controls the market in any line are usually greater than those to be obtained from a new concern with no control, no matter how liberal the terms that it offers. Moreover, the retailer or hawker finds it to his advantage to follow the lead of the members of the association. To them, more than likely, he is bound by advances of goods or other favors. The control that some concerns enjoy in China today is based on this power that selling organizations can exert and which every one is free to use, under a governmental policy of non-interference, but which only the more powerful con-

cerns who already control the market can effectively employ. Not only the powers of the selling organization over the retail trade are used, but also the effective methods of local price cutting, of discrediting other's goods by inferior or cheaper imitations, or of disrupting through bribery a competitor's selling organizations. Even foreign governments do not hesitate to make use of their official representatives in China for purposes of reserving some coveted order for their own nationals. It is a well-known fact that bids on contracts for railway supplies, etc., issued by the Chinese government or private railways, have been so worded through the diplomatic pressure, that practically only one nation and virtually only one firm out of many could meet the particular specifications.

To an American it may seem incomprehensible that the Chinese public should be entirely indifferent to business practices which in most other countries are considered detrimental to public welfare. One reason for this indifference is that the monopolistic control exerted by the foreigner is over classes of goods that are not immediate necessities. The great staple foods of the country, such as rice, millet, wheat, meats, are not traded in or controlled by foreigners, and the country as a whole is still living so close to the soil everywhere that any attempt at more than a local native monopoly in these staples is entirely out of the question. Nor has monopolistic control, in the past at least, been synonymous with excessively high prices and profits. The careful economy of the Chinese, the conditions of selling in a country that is still living under a silver and copper currency and where prices for all native products are very low compared with corresponding products in the United States and elsewhere, make it utterly impossible to secure very high prices for articles of foreign manufacture, if sales are to reach any considerable proportion of the people. Their purchases are made in the very minute fractional coin, the copper cash, about thirty-five hundred to five thousand of which are equal to one American dollar. This coinage permits of a closer and more exact measurement of value and of service than do the larger units of the American or English coinage. The practice of establishing fixed round prices such as five, ten, or twenty cents, or multiples thereof on proprietory articles has no root in China because the value of the medium of exchange is constantly fluctuating. Prices and profits are measured on a much closer marginal basis in the retail market than permanent round prices permit. Finally, the fact that for most foreign goods there

are native substitutes, as, for instance, native oils for candles, native for foreign tobacco, and that if China has no substitute Japan certainly has and will be found knocking at the door with it, makes it necessary to offer foreign goods, if to be sold on an extensive scale, at a reasonable price. Therefore, so long as they do not feel the pressure of monopoly on necessities, and so long as prices are not excessive, the Chinese are likely to be indifferent as to whether this or that foreign company or whether one or a dozen foreign companies supply the market. There is, moreover, a strong feeling among the Chinese that if they once begin to manufacture on an extensive scale no foreign goods will be able to compete.

China has as yet no trademark and coypright law. Any foreign article can be and usually is imitated and sold as the original. The copying of a popular brand name or trademark is not a crime and therefore goes unpunished. Any monopolized commodity which can be produced at a large margin of profit in China is certain to be imitated and sold as the original by both the Chinese and the Japanese. This is in itself a check against excessive monopoly profits. In general it may be said that in China monopolistic control of certain commodities has not as yet been detrimental to the consuming public. Demand in China unerringly gravitates toward those goods that offer the most value for the least expenditure; and most concerns having any degree of monopolistic control have obtained it and hold it primarily because they offer better values than would-be competitors. Market control and control of selling organizations is desired and maintained by monopolistic concerns as a means for keeping competitors from getting a footing in their own line rather than in the hope of obtaining excessive profits.

The monopolistic control of opium by foreign merchants in the treaty ports is an exceptional instance of monopolistic control and high monopolistic prices and profits. The limitation of imports into these ports preparatory to closing them to the opium traffic, in accordance with agreements with foreign governments, has given a limited number of merchants control over the entire available supply, except what is smuggled in. Under these conditions the price of opium both at wholesale and retail has enormously increased in recent years, and those few who control the drug are reaping excessive profits. The position of these merchants is made even more secure by the fact that the Chinese government has

effectively suppressed the cultivation of the opium poppy and no native supply is therefore available for those treaty ports where the licensed sale is still permitted. In the Shanghai concessions there are six hundred licensed retail venders who must obtain their supply from the few wholesale merchants that control it.

A recent and rather interesting development of the competitive struggle in China is an agreement between two large concerns, which practically control the trade in a certain line, for the purpose of so regulating their sales that each will retain an agreed upon proportion of the total. At frequent conferences sales are compared; and, if in any territory the sales of one company exceed this proportion, measures are to be taken to counteract this tendency. The agreement also seeks to retain for each company a similar relative amount of high grade and low grade sales. The higher grade and higher priced sales are more profitable than the lower priced or so-called fighting lines. That neither concern may suffer unduly by a disproportionate share of such low priced sales, steps are taken to adjust sales by price regulations and control of advertising, the latter being a very important factor in the sale of higher priced goods. By this mutual understanding, the unnecessary economic waste in competition due to the forcing of sales of very low priced and unprofitable brands is to be avoided. Moreover, in many places two separate selling organizations are not necessary and by agreement these can be eliminated or their membership reduced. Also, the two concerns together are better able to withstand the powerful competition that is offered by a third concern long established in the markets of China in other lines but which is only just entering the same field with these two concerns.

A unique feature of trade organization in China is the presence in the local market of the Japanese government tobacco monopoly. The monopoly has long been present in the markets of China; it has several factories in the country and is supplying some of the northern markets from Korea. It is apparently using a part of the monopoly profits accruing outside of China in an endeavor to get a controlling position in the Chinese market. A large foreign concern, which has long had a good proportion of the total tobacco trade of the country and which is coming more directly in touch with the Japanese attempt to get a footing in China, in meeting this competition, has the advantage of control of long-established brands and of a superior selling organization. The

government monopoly, on the other hand, enjoys preferential rates on Japanese controlled railway and steamship lines and the advantage of escaping from *likin* taxation already referred to. Competition between these two groups is rather peculiar in that each is fighting with weapons which are wanting to the other.

The Japanese in China are clever and persistent trade rivals and their entry into practically all the avenues of trade may ultimately change entirely the present trade organization. They are persistent and do not hesitate to use any popular foreign trademark or brand name on their own production and to sell it as the original. More than that, labor in Japan is very cheap but efficient. Almost any article of foreign manufacture sold in China can be produced in Japan at less cost. And the Japanese merchants have decided advantages in selling. They can use their own salesmen who as a rule speak Chinese fluently, an accomplishment that as yet few Americans have. Their similarity in dress and general appearance and standard of living brings them into direct touch with the trade. Other foreigners must depend on their native selling groups. The Japanese competition is one of price cutting to the point where foreign dealers can not follow with foreign-made goods. Even those foreign groups that heretofore have enjoyed more or less effective trade control in their respective lines are being forced by the success of their rivals to make use of the equally low priced and equally efficient native Chinese labor in the manufacture of goods that can compete on an equally low cost plane. Already foreign firms have begun the manufacture in China of low priced cotton goods, candles, soaps, cigarettes, and other products. They are not intended to supplant goods of other foreign manufacture nor have they done so.

It is evident that trade control in China is as yet largely a matter of foreign interest and of foreign commercial policy. When the country develops industrially, however, the native merchant class will undoubtedly claim a more important position in trade control than it does today. As the central government becomes stronger it will probably seek to readjust the trade organization of the present in favor of the native merchant class. Tendencies in that direction are already evident—the attempt to take over all railroads and to nationalize them; the efforts to establish oil and tobacco monopolies under private management; and the proposition, under discussion by high officials, of establishing large cotton mills: these show the tendency of public thought. It will

not be an easy task, however, that the government sets itself when it attempts to change the present status. The treaty ports, in which the commercial activities of the country center, are all but under foreign control; and a curtailment of the privileges which the foreign trader has up to the present enjoyed will not be easily accomplished. No foreign country will readily relinquish any rights and privileges that its merchant class has heretofore claimed.

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